

**Third Implementation Plan
Fiscal Years 2008-2012**

**Naval Training Center
Redevelopment Project Area**

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The Redevelopment Agency of the City of San Diego

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Naval Training Center Redevelopment Project Area

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A. Introduction

This Third Implementation Plan for the Naval Training Center (the “Plan”) is being prepared and adopted according to California’s Community Redevelopment Law (“CRL”). This Plan identifies project activities scheduled for the next five years in the Naval Training Center Redevelopment Project Area (the “Project Area”) including very low, low and moderate income housing activities.

The Redevelopment Plan for the Naval Training Center Redevelopment Project Area (“Redevelopment Plan”) was adopted on May 13, 1997 by Ordinance No. O-18405-1 and will remain in effect for 30 years after the adoption date. It was adopted to eliminate conditions of blight in the Project Area by new construction, revitalization and upgrading of residential, commercial, office and public properties and facilities within and surrounding the Project Area.

The Naval Training Center (“NTC”) Redevelopment Project was adopted to eliminate conditions of blight in the Project Area by new construction, revitalization and upgrading of commercial, office and public properties and facilities within and surrounding the Project Area.

The Navy officially ceased operation at the base in April 1997. The Project Area was adopted in May 1997. In June 2000, the Agency entered into a Disposition and Development Agreement with the McMillin Companies, which had been selected as master developer in the prior year, to complete the redevelopment of NTC in accordance with the NTC Reuse Plan, approved by the City Council in October 1998. The portion of the Project Area that McMillin is redeveloping has been named “Liberty Station”.

The Naval Training Center is planned as a pedestrian-oriented, mixed-use community with acreage devoted to residential, educational, and recreational areas including a 9-hole golf course, office and commercial/retail space, hotel properties, and an area encompassing civic uses, art and culture. To the east of the main base, across the boat channel (on Camp Nimitz), plans include hotel property, a Metropolitan Wastewater Department laboratory and a Regional Public Safety Training Institute (“PSTI”). The Naval Training Center Historic District, comprised of 56 buildings on approximately 55 acres, has been placed on the National Register of Historic Places. After rehabilitation, the Historic Core at NTC will be adaptively reused to include office space, retail space, the golf course and a 26 building, 300,000 square foot Civic, Arts and Cultural Center. The buildings in the Civic, Arts and Cultural Center will be rehabilitated and managed by the NTC Foundation, a non-profit organization established for the purpose of rehabilitating and operating the Civic, Arts and Cultural Center at NTC. To date, nine of the historic buildings have been restored for office and retail space. The Sail Ho Golf Course also has been rehabilitated and operating as a public course.

The Regional Public Safety Training Institute, a joint powers authority among the San Diego Fire and Police Departments, San Diego Community College District and San

Diego County Sheriffs Department, will develop a fire and life safety training academy on approximately 25 acres of property on Camp Nimitz.

B. Description of Project Blighting Conditions

California Redevelopment Law (H&SC Sec. 33492) contains provisions authorizing the establishment of a redevelopment project area within the boundaries of a military base closed pursuant to the actions of the Federal Defense Base Closure and Realignment Commission. Pursuant to these provisions, the definition of blight was expanded to address the unique conditions encountered by local communities in redeveloping former military bases.

The Redevelopment Plan adopted by the City Council in May 1997 described the conditions of blight that exist in the Project Area as the following:

- 1) buildings in which it is unsafe for people to live or work;
- 2) factors that prevent or hinder the economically viable reuse of buildings or areas;
- 3) adjacent or nearby uses that are incompatible with each other;
- 4) properties currently served by infrastructure that does not meet existing adopted utility or community infrastructure standards; and
- 5) land that contains materials or facilities that will have to be removed to allow development.

C. Specific Goals and Objectives of the Agency for the Project Area

The NTC Redevelopment Plan proposes to eliminate conditions of blight in the Project Area caused by the base closure with new construction, rehabilitation and infrastructure improvements as well as by coordinating various public projects proposed for the area. In general, the goals and objectives for the Project Area outlined in the Redevelopment Plan are:

- 1) to eliminate and prevent the spread of blight and deterioration and conserve, rehabilitate and redevelop the Project Area;
- 2) to improve, promote and preserve the positive neighborhood characteristics in the surrounding communities;
- 3) to improve, support and promote the growth and vitality of the Project Area's business environment, and address the commercial, service and employment needs of the Project Area;
- 4) to increase parking, enhance the quality of mobility and improve transportation facilities which support the vitality, safety and viability of the Naval Training Center;
- 5) to expand and improve park and recreation facility options, green belts and open space opportunities as well as enhance the environmental habitat at the base;
- 6) to enhance infrastructure facilities;
- 7) to provide a full range of employment opportunities and public facilities;

- 8) to preserve and rehabilitate cultural resources; and
- 9) to promote the Naval Training Center's historic district.

D. Specific Projects and Expenditures Proposed To Be Made During the Next Five Years

Pursuant to the DDA, the master developer is responsible for the redevelopment of the majority of the property at NTC, including onsite and offsite infrastructure improvements. To date, they have completed the residential and educational districts, along with Phase One of the NTC Park. The west hotel district is nearing completion. Six of seven new office buildings have been completed and the retail/commercial areas are well underway.

Annual gross tax increment revenue for the next five years is estimated at \$4.3 million in FY 2008, \$6 million in FY 2009, \$6.2 million in FY 2010, \$6.3 million in FY 2011 and \$6.5 million in FY 2012. The total amount of gross tax increment revenue for this period is estimated at \$29.3 million (see Table 1 below). The Agency is proposing to obtain a bank line of credit to support near term projects until tax allocation bonds can be issued in late FY 2008 to provide funding for additional infrastructure improvements, shoreline improvements and rehabilitation of historic buildings.

Other revenue sources include, but are not limited to loans, grants, and Mello-Roos Bond proceeds. A second bond issuance from the Community Facilities District #3 will provide funding for Phase Two of the NTC Park, along with other off site infrastructure improvements.

Twenty percent (20%) of the annual tax increment revenue will be set-aside in the NTC Low/Mod Housing Fund for the development of housing for low- and moderate-income individuals and families. In accordance with the statutory pass-through formula stipulated in AB 1290, additional shares of tax increment are to be distributed to the following local taxing entities: 1) County of San Diego, 2) San Diego Unified School District, 3) San Diego Community College District, 4) San Diego County Office of Education, 5) City of San Diego, and 6) San Diego County Water Authority.

The expenditures projected for the next five years include costs for Agency project administration, debt service costs associated with the anticipated tax allocation bonds and line of credit backed by Project area tax increment receipts. Some of the funds from the Tax allocation Bonds will be used to pay off the loans from the line of credit. Expenditures over the next five years are estimated to total \$22,232,000.

Table 1: Estimated Project Revenues and Expenditures

REVENUES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Tax Increment Revenue	\$4,290,000	\$6,000,000	\$6,200,000	\$6,300,000	\$6,500,000

EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Housing Set Aside (20%)	\$857,000	\$1,226,000	\$1,250,000	\$1,275,000	\$1,301,000
Payment to Taxing Entities	\$1,108,000	\$1,172,000	\$1,236,000	\$1,302,000	\$1,370,000
Bond Payments/Debt Service Obligations	\$1,307,000	\$1,307,000	\$1,307,000	\$1,307,000	\$1,307,000
Non-Project Expenses/Admin.	\$650,000	\$700,000	\$750,000	\$750,000	\$750,000
Total Expenditures	\$3,922,000	\$4,405,000	\$4,543,000	\$4,634,000	\$4,728,000

Available Non-Housing Funds	\$368,000	\$1,595,000	\$1,657,000	\$1,666,000	\$1,772,000
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The development projects identified in this Plan are dependent upon attracting qualified developers and obtaining the funds to finance the projects. In its role of master developer, McMillin has developed a marketing plan to attract financially qualified tenants to occupy office, retail, and commercial buildings and hotel sites at Liberty Station. Many of these tenants are in place or are in the process of completing construction. Six of the seven office buildings are built and occupied. The retail and commercial buildings are well underway with Trader Joe's opening the first store within the Project Area. The first three hundred fifty hotel rooms being built by Courtyard by Marriott and Hilton Homewood Suites are nearing completion. Rehabilitation of the historic buildings within the Civic, Arts and Cultural Center ("CACC") is the responsibility of the NTC Foundation, which was established March 2000. As of December 2007 they completed rehabilitation of Phase One which included six buildings within the CACC.

1) Five Year Projects Schedule

- Fiscal Year 2008 Work Program
 - Continue fulfillment of obligations pursuant to the NTC Homeless Assistance Agreement
 - Continue monitoring of the Homeless Assistance Agreement
 - Commence Phase 2 construction on the NTC Park
 - Issue Phase II of Mello-Roos Bonds

- Issue tax allocation bonds for shoreline improvements, building rehabilitation and additional infrastructure improvements
 - Complete renovation of all buildings in the Educational Core
 - Complete construction of the Courtyard by Marriott and Hilton Homewood Suites hotels on the west side of the NTC Boat Channel
 - Commence construction of the hotel on the east side of the NTC Boat Channel
 - Commence NTC Foundation planning of Phase Two Rehabilitation
 - Commence improvements to buildings within the Shoreline Plaza area at the north end of the NTC Boat Channel
 - Commence planning for NTC Park enhancements
 - Commence planning for shoreline improvements
 - Resume negotiations with the Navy to convey the NTC Boat Channel to the City of San Diego
 - Resume development of plan for PSTI
 - Resume planning for undergrounding of steam lines and design of east side Esplanade
 - Monitor Low/Mod Housing Fund
 - Continue marketing office, retail and commercial areas
- Fiscal Year 2009 Work Program
 - Continue monitoring of the Homeless Assistance Agreement
 - Complete Phase 2 construction on the NTC Park
 - Continue construction of the hotel on the east side of the NTC Boat Channel
 - Commence NTC Foundation Phase Two Rehabilitation
 - Continue improvements to buildings within the Shoreline Plaza area at the north end of the NTC Boat Channel
 - Convey the NTC Boat Channel from the Navy to the City of San Diego
 - Commence remediation of the NTC Boat Channel and shoreline improvements
 - Gain approvals for and commence shoreline improvements
 - Gain approvals for undergrounding of steam lines and design of east side Esplanade
 - Gain approvals for PSTI plan
 - Continue monitoring Low/Mod Housing Fund
 - Continue marketing office, retail and commercial areas
- Fiscal Year 2010 Work Program
 - Continue monitoring of the Homeless Assistance Agreement
 - Complete construction of the hotel on the east side of the NTC Boat Channel
 - Commence phasing PSTI plan
 - Commence construction to underground steam lines and east side Esplanade
 - Complete shoreline improvements
 - Complete remediation of the NTC Boat Channel and shoreline improvements
 - Continue NTC Foundation Phase Two Rehabilitation

- Continue monitoring Low/Mod Housing Fund
 - Continue marketing office, retail and commercial areas
- Fiscal Year 2011 Work Program
 - Continue monitoring of the Homeless Assistance Agreement
 - Continue NTC Foundation Phase Two Rehabilitation
 - Complete remediation of the NTC Boat Channel and shoreline improvements
 - Continue phasing PSTI plan
 - Continue monitoring Low/Mod Housing Fund
 - Continue marketing office, retail and commercial areas
- Fiscal Year 2012 Work Program
 - Continue NTC Foundation Phase Two Rehabilitation
 - Continue phasing PSTI plan
 - Continue monitoring Low/Mod Housing Fund
 - Continue marketing office, retail and commercial areas

E. Explanation of How the Goals and Objectives, Projects and Expenditures Will Eliminate Project Blighting Conditions

The Redevelopment Plan formulated for the Project Area proposes to eliminate blighting conditions through the development of a pedestrian-oriented, mixed-use community with acreage devoted to residential, educational, institutional and recreational areas including a 9-hole golf course, office and commercial/retail space, hotel properties, and an area encompassing civic uses, art and culture.

F. Explanation of How the Goals and Objectives, Projects and Expenditures Will Implement Project Housing Requirements

1) Goals and Objectives

The California Community Redevelopment Law requires that not less than twenty percent (20%) of all tax increment revenue generated by the project shall be used for the purpose of increasing the community's supply of very low-, low- and moderate-income housing. Additionally, affordable dwelling units shall remain affordable for not less than the period of land use controls established in the project plan. The Redevelopment Project's on-going goal is to develop housing in compliance with current legislation and available Project resources.

Under California Redevelopment Law, the 20% housing set-aside can be spent for projects outside the Project Area if the finding is made that doing so is beneficial to the Project Area as a whole. The NTC Reuse Pan includes a Homeless Assistance component, which is required under federal law. The Project Area's Homeless Assistance component consists of an agreement entered into by the City and seven

homeless services providers whereby the City agreed to provide \$7.5 million for transitional housing programs off the base. Potential sources of funding identified in the agreement were housing set-aside revenue from the Centre City and NTC Redevelopment Project Areas, District 2 Community Development Block Grant funds, and City of San Diego Housing Trust Fund. To date approximately \$5,312,000 has been provided from these sources which has completed their funding obligations pursuant to the Homeless Assistance Agreement. The remaining \$2,188,000 will be funded from the NTC Set-aside funds.

2) Low and Moderate Income Housing Fund

- Amounts Available to Housing Fund

Projections of annual Low/Moderate housing set-aside funds anticipated to be received for the Project Area over the next five years are shown in Table 2 below:

Table 2: Projected Housing Set-Aside Funds

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
\$ 857,000	\$ 1,226,000	\$ 1,250,000	\$ 1,275,000	\$ 1,301,000

Upon receipt by the agency, these funds will be used to generate housing outside the Project Area. Funds will be expended as opportunities for housing assistance are identified.

- Projected Housing Units and Funds Expended

The Agency will make units available to be occupied by persons and families of low- or moderate-income at affordable housing costs in accordance with California Redevelopment Law. The first priority for these units will be to the Homeless Assistance Agreement. The NTC Set-aside funds will be used for this purpose.

a. Projected Housing Units (FY 2008-2012)

The Agency will make units available to be occupied by persons and families of low- or moderate-income at affordable housing costs in accordance with California Redevelopment Law. The first priority for these units will be to the Homeless Assistance Agreement. The NTC Set-aside funds will be used for this purpose.

3) Agency-Developed and Project Area Housing

The Implementation Plan is required by California Redevelopment Law to provide an estimate of the number of new and rehabilitated dwelling units to be developed in the Project Area and the number of units for very low-, low- and moderate-income households to be developed in order to meet inclusionary housing requirements. The inclusionary housing requirements state that: Fifteen percent (15%) of all new or

rehabilitated dwelling units developed by public or private entities other than the Agency, in a redevelopment project area should be affordable to low- and moderate-income households of which, forty percent (40%) shall be available at affordable housing costs to very low income households and thirty percent (30%) of all new and rehabilitated dwelling units developed by an Agency shall be affordable for low- and moderate-income households and not less than fifty percent (50%) shall be affordable for very low-income households.

The Agency is not expected to develop units itself but will assist private entities and other public agencies with the development of housing. The Agency will comply with the fifteen percent requirement; however, the units will not be developed onsite so the Agency will comply with providing housing on a two for one basis.

- Housing Unit Estimates Next 10 Years and Life of Plan

During the first ten years of the Redevelopment Plan, 349 market-rate and 500 military family housing units were developed and occupied. These are expected to be the only housing units developed on the former base. Additional affordable units will be made available to be occupied by persons and families of low- or moderate-income at affordable housing costs in accordance with California Redevelopment Law. The first priority for these units will be to the Homeless Assistance Agreement. The NTC Set-aside funds will be used for this purpose.

- Housing Unit Estimates for Very Low, Low and Moderate-Income Households Next 10 Years and Life of Plan

According to California Redevelopment Law, the 849 total housing units built in the Project Area require 255 affordable units to be provided outside the Project Area. As mentioned above, the first priority for these units will be to the Homeless Assistance Agreement.

- Number of Very Low, Low and Moderate-Income Units Already Developed

Pursuant to the NTC Homeless Assistance Agreement, assistance was provided to San Diego Youth and Community Services to purchase an 8 unit apartment complex for Very Low-Income youth who have aged out of the foster care system. This leaves 94 units remaining of the required number for the 40% discussed above.

- Number of Agency-Developed Units

As stated above, the Agency is not expected to develop units itself, but will assist private entities and other public agencies with the development of housing.

- Number of Agency-Developed Very Low, Low and Moderate-Income Units

As stated above, the Agency is not expected to develop units itself, but will assist private entities and other public agencies with the development of housing.

4) Replacement of Dwelling Units Destroyed or Removed

When the Project Area was established there were no dwelling units in existence on the base. It is not expected that there will be any removal of dwelling units on the former base. Any units removed or destroyed will be replaced to the extent required by California Community Redevelopment Law.